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UNCLAS LILONGWE 000177

SIPDIS

SENSITIVE

STATE FOR AF/S ADRIENNE GALANEK  
JOHANNESBURG FOR FCS  
GABORONE FOR SAGCH AMANDA HILLIGAS

E.O. 12958: N/A

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SUBJECT: MALAWI LOSES GARMENT MANUFACTURER

REF: A. 2004 LILONGWE 1108

[1](#)B. MASERU 0048

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[1](#)1. (U) SUMMARY: Haps Investments, one of Malawi's largest AGOA garment manufacturers, has ceased operations, putting over 2,000 employees out of work. The closure stems from the financial failure of the Taiwanese parent company, which apparently faltered as a result of losses suffered at its operations in Lesotho. Though the failure does not result directly from the end of textile quotas, it may at last focus the Government on the need to respond to the end of quotas. End summary.

[1](#)2. (SBU) Haps Investments, which exported to a number of large U.S. buyers, closed its doors as usual for the latter half of December, releasing employees for the holiday period. Beginning in early January, the company announced a series of one-week delays in its opening. By the end of January, the plant's 2,500 employees reached the conclusion that it would not reopen and alerted the GOM and their labor unions. The company has not announced the closure, and the Taiwanese managers have reportedly stayed in Taiwan since the holidays. The Taiwanese embassy finally made the company's closure public earlier this week and has taken responsibility for paying off the workers. Malawi's High Court is expected to appoint a receiver in March to sell off the company's assets and pay the roughly \$200,000 in local debts.

[1](#)3. (U) The closure has sparked speculation in government and industry circles that it is the first of a series of closures and layoffs generated by the end of Multi-Fibre Arrangement (MFA). This nervousness runs against our earlier sense that garment makers here are generally unconcerned about the end of garment quotas, at least in the near term (ref A).

[1](#)4. (SBU) As it happens, the closure has nothing to do with the demise of garment quotas. As we recently learned from the Taiwanese diplomatic mission here, Haps's Taiwanese parent company, Haps Investment Company, has suffered large losses in its Lesotho operations over the past two years, largely as a result of the rising value of the SA Rand and Lesotho Maloti (ref B). Toward the end of 2004, the company found itself unable to service its debts (it is reported to have taken out a \$6 million bank loan recently) and ordered the closure of all overseas operations. The Malawi operation is essentially a collateral casualty of the parent company's larger problems.

[1](#)5. (SBU) COMMENT: While the Haps closure is not directly connected to the demise of the MFA, its sudden failure is focusing the minds of GOM officials who did not even know about the end of quotas until we told them last year (ref A). The engagement of the Ministry of Trade and Private Sector Development on AGOA issues--and on trade development in general--has been unimpressive up to now; whether this will change with a new minister remains to be seen. The current visit of the AGOA advisor from the Southern African Global Competitiveness Hub may help the GOM with some ideas for expanding AGOA exports beyond the threatened cotton garments. As we will report by septel, in our initial meetings on this topic, the GOM brought little to the table besides requests for more money.

GILMOUR